



# 6<sup>th</sup> Global Oil & Gas Institute

April 25, 2019

Post-event Summary

**Baker  
McKenzie.**



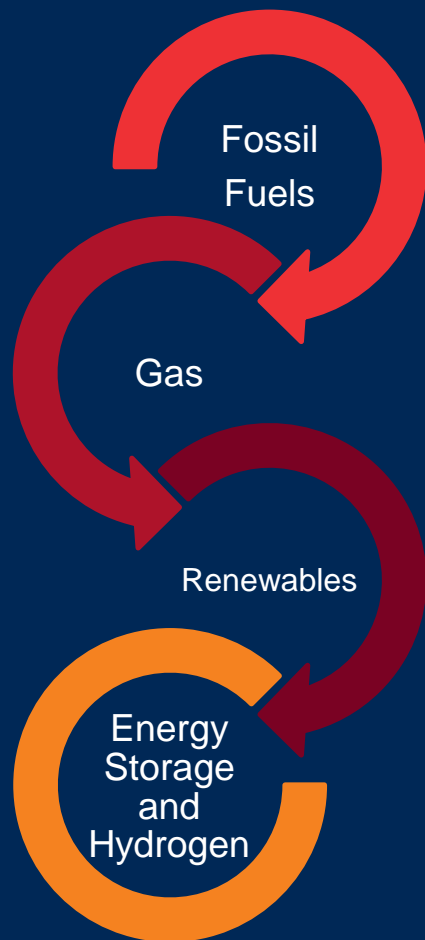
# Overview

Baker McKenzie's **6th Annual Global Oil & Gas Institute** held on April 25, 2019 in Houston brought together over 250 oil and gas experts, professionals and Baker McKenzie lawyers from around the world to discuss the global oil and gas market. The broad conclusion was that oil and gas has a key role in the future of energy but is also in a period of great change where social license to operate and capital flow are transitioning to a lower emissions economy.

The day was organized as a series of keynote speeches and panel discussions intended to explore the Institute's theme of **new energy and how technology, politics and economics are transforming the oil and gas sector**. Topics covered everything from the energy transition being driven by technology and climate change efforts to government behavior in this new world, to how the changes are playing out in the M&A and tax energy spaces. The Institute's keynote speakers included Dan Brouillette, Deputy Secretary, US Department of Energy; Javier Gallego Piñera, Legal Director at Naturgy; and Marcella Burke, Deputy Solicitor, Energy and Mineral Resources, US Department of the Interior.

The following is a high-level summary of the takeaway points from the keynote speakers and panels organized by the day's themes of technology, politics and economics. Please click [here](#) for the Institute agenda and details and contact information of the speakers.

**Consider if your company will need to reinvent itself.**



## Technology

The energy transition is not going to be tomorrow but it will definitely happen.

Although the shift will broadly be from fossil fuels to gas and then to renewables, including energy storage facilities and improved technologies to promote decarbonized gases such as hydrogen, the approach will differ by jurisdiction.

- Europe has been more aggressive in all aspects of renewables
- China has made a strong move to solar
- Although the overall US energy transition is not as significant as in other countries, the Trump administration has been supporting early-stage research and advancements to help evolve natural resource development, such as shale drilling technologies
- California is leading the move to "green" in the US and is a market in and of itself

While many in the oil and gas industry are already investing and looking at new technologies as a means of transitioning their energy business, the range of options and pace of development make it difficult to have a clear view on how the future will look and can cause internal tensions around where to deploy capital.

Technology and digitalization, including artificial intelligence and enhanced analytics/market information, will increasingly allow oil and gas decision-makers, especially those in the capital expenditure-heavy LNG space, to know and link the costs of certain industry components or purchases with their underlying markets.

Due to the tax authorities' ability to collect data from many different digital sources, their assessments are now more detailed and precise.

Some companies will need to reinvent themselves. For example, utilities are at a crossroads in Europe because of Europe's changing energy landscape, the growth of corporate PPAs and consumers becoming renewable energy suppliers to the grid, among other reasons.

# Politics

The Trump administration feels that energy regulations should simply be the rules of the road, not barriers to new projects and new production; the US tax reform has had a significant impact on oil and gas companies.

The EU and the countries that are part of the community have set themselves very ambitious goals towards achieving a significant reduction of their CO2 emissions and producing their energy from clean and renewable sources.

Common barriers in Latin America in energy M&A are decommissioning risks, abuse of constitutional defenses and paralyzations due to injunctions; tax policy changes have been made to fight corruption and foster sustainability.

Developing countries producing oil and gas face struggles such as negotiations with the government, cultural barriers and finding a committed local workforce.

## Globally:

- Some governments are trying to design rules around the Paris Agreement
- Regulatory risks are increasing as a result of some regulators requiring multiple filings or taking a more aggressive approach around climate change reporting and disclosures
- M&A deals are not necessarily allocating the regulatory risk but rather factoring in the practical and timing implications of such risks
- Predicting how sanctions laws will bite is difficult and increasingly being dealt with up-front in documentation for M&A and projects

## Tips for dealing with governments:

- Do not assume that governments are as familiar with the industry as commercial counterparts but also do not assume that governments know nothing
- Industry should engage with regulators early and often because a critical part of a regulatory body's role is to engage with a wide range of stakeholders

## PRACTICAL TIP

**Engage with  
regulators early  
and often.**



When designing or benchmarking your company's climate change strategy, consider using existing precedents from others.

# Economics

Some major economic risks in navigating the energy transition include:

- General transition risk: not addressing the issues of today; the market will continue to change and the global psychology is changing, so the key is predicting what to transition to. For instance, five years ago companies were creating landfills for biogas and now it is out-competed by other energy sources
- Climate change-related risks, including increasing instances of climate change-related litigation and requirements around climate change reporting and disclosures
- Recruiting risks due to the perception of oil and gas as a "dirty", male-dominated industry and the need to recruit new, young and diverse talent to companies and government

New players that have added oil and gas reserves to the global offering need to find supplying interdependencies with traditional producers in order to achieve the realization of their reserves.

Since 2014, private equity has occupied oil and gas sites such as the North Sea that majors had abandoned due to price uncertainty.

The Trump administration prioritizes allowing the markets to work and permitting the "invisible hand" to produce good results; accordingly, it will not determine the price or destination of US exports of hydrocarbons.

When designing or benchmarking your company's climate change strategy, consider using existing precedents from other companies because at the very least, falling in line with others means your company is less likely to be identified as an outlier.

**Baker McKenzie helps clients overcome the challenges of competing in the global economy.**

We have been advising the key players in the international energy, mining and infrastructure sectors across the globe for more than 65 years. Our team of over 1,200 lawyers across 47 countries is known for our deep industry knowledge, commercial awareness and significant capabilities. We solve complex legal problems across borders and practice areas, working together as trusted colleagues and friends to instill confidence in our clients.

Baker McKenzie International is a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a "partner" means a person who is a partner or equivalent in such a law firm. Similarly, reference to an "office" means an office of any such law firm. This may qualify as "Attorney Advertising" requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.

© 2019 Baker McKenzie. All rights reserved.



# Baker McKenzie.

